BULLDOG ENERGY INC.

2003 ANNUAL REPORT

CONTENTS

Certain information presented in this Annual Report is of a forward looking nature. Such forward looking information involves substantial known and unknown risks and uncertainties. Most of these are beyond Bulldog's control and include: the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the availability of qualified personnel, stock market volatility, and the access to sufficient capital from internal and external sources. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by Bulldog at the time, may prove to be incorrect. Bulldog's actual results could differ materially from those expressed in, or implied by, such forward looking information.

PROFILE

Bulldog Energy is a Calgary based junior oil and natural gas company. Our focus is the exploration, exploitation, and development of hydrocarbon reserves in the Western Canadian Sedimentary Basin. We commenced operations in early 2002 and have assembled a significant portfolio of light crude oil operations in Southeast Saskatchewan and a concentration of natural gas producing properties in the Rosevear area of West Central Alberta.

Bulldog's Class A and Class B common shares are listed for trading on the TSX Exchange under the symbols BDE.A and BDE.B. As of April 26, 2004, Bulldog had 30,401,730 Class A common shares and 372,768 Class B common shares outstanding. Our market capitalization was $40 million. These numbers reflect the February 20, 2004 equity issue that financed 69% of the Helmsman acquisition.

HIGHLIGHTS

Year ended December 31	2003	2002	% change
FINANCIAL *(000s except per share)*			
Revenues	**$ 7,584**	$ 1,921	295%
Cash flow	**$ 3,594**	$ 496	625%
Per share – basic & diluted	**$ 0.19**	$ 0.04	375%
Net income (loss)	**$ 954**	$ (1,366)	–
Per share – basic & diluted	**$ 0.05**	$ (0.12)	–
Capital expenditures	**$ 8,369**	$ 13,960	(40%)
Total debt	**$ 2,125**	$ 2,500	(15%)
Shareholders' equity	**$ 10,337**	$ 5,046	105%
Common shares outstanding			
Class A	**18,187**	11,992	52%
Class B	**373**	373	–
OPERATIONAL *(units as noted)*			
Average daily production			
Oil (barrels/day)	**365**	80	356%
Natural gas (mcf/day)	**1,007**	498	102%
Combined (BOE/day)	**533**	163	227%
Average price realization			
Oil/barrel	**$ 37.52**	$ 38.12	(2%)
Natural gas/mcf	**$ 7.01**	$ 4.44	58%
Combined/BOE	**$ 38.96**	$ 32.28	21%
Proven and probable reserves			
Oil (barrels)	**1,318,000**	713,000	85%
Natural gas (mcf)	**2,795,000**	3,048,000	(8%)
Combined (BOE)	**1,784,000**	1,221,000	46%
Undeveloped land (net acres)	**25,184**	21,409	18%
Wells drilled (net)	**7.7**	5.6	38%

MESSAGE FROM THE PRESIDENT

Bulldog completed its second full year of operations in 2003. By all measures we are a much stronger company today than a year ago. Most significantly we have achieved a size that allows us to realize economies of scale and the capacity to compete within our industry.

THE YEAR IN REVIEW

Bulldog started 2003 as an emerging junior oil and natural gas company. We set several goals to pursue during the year to enable us to achieve sufficient production and cash flow to continue to grow the business in the future.

- We established a program to drill or re-enter 17 wells in our core areas of Southeast Saskatchewan and Rosevear, Alberta.
- We planned to evaluate and pursue strategic acquisitions with drilling up-side to contribute to our expanding opportunity base.
- We wanted to increase the awareness of our company in the financial community and improve the trading volume and liquidity of our shares.
- We set an initial target average production rate of 650 BOE/day and a target exit rate of 900 BOE/day. In mid-year, we reduced the target annual average to 600 BOE/day due to an extended spring break up which delayed our drilling program.
- We established a cash flow target for 2003 of $3.5 million or $0.20 per share.

We are very pleased with the significant progress we made in 2003 towards achieving these goals. These objectives represented a substantial challenge for a junior company with limited resources.

- We drilled or re-entered 19 gross (7.7 net) wells in 2003 resulting in 12 gross (4.7 net) oil wells, 2 gross (1.2 net) gas wells and 5 gross (1.8 net) dry holes for a 74% success rate.
- Production volumes averaged 533 BOE/day. Our 2003 year-end exit rate was 700 BOE/day with an additional 120 BOE/day behind pipe and placed on-stream in early 2004.
- We completed property acquisitions at Wordsworth, Fremantle and Carlyle. After we increased our working interest at Wordsworth we drilled our fifth successful well on this property.
- Late in the year, we gained approval from the TSX to list Bulldog's Class A and Class B common shares on the Toronto Stock Exchange. Trading commenced January 14, 2004. Average daily trading volumes in the first quarter of 2004 were 5 times higher than the 2003 daily average.
- We achieved a 2003 cash flow of $3.6 million or $0.19 cents per share.

MESSAGE FROM THE PRESIDENT

HELMSMAN ACQUISITION – BULLDOG ALMOST DOUBLES IN SIZE

Bulldog nearly doubled in size with the acquisition of the Helmsman group of companies and associated properties on February 20, 2004. All of the acquired properties are adjacent to our operations in Southeast Saskatchewan. The producing zones and geological characteristics are similar to our existing operations and the properties integrate nicely with Bulldog's exploration and development efforts in the region. This acquisition is a major strategic move in our growth strategy as it provides us with three additional light oil pools with significant development potential to add to our drilling program in 2004 and 2005.

The acquired properties were assigned proved and probable reserves of 3,422,000 BOE by Ashton Jenkins Mann Petroleum Consultants (AJM) in an independent engineering report effective November 1, 2003. This report was prepared under the new National Instrument 51 – 101 reporting requirements. The net present value of the proven plus probable reserves at a 12% discount was $25.2 million. AJM recognized 24 drilling locations on these properties. Bulldog paid cash consideration of $19.4 million for this acquisition after working capital adjustments. The acquisition included three operated processing facilities and associated infrastructure, 7,906 gross (7,282 net) acres of undeveloped land, 12.8 square miles of 3-D seismic and 110 miles of 2-D seismic data. We are excited by the opportunities to increase reserves and production through drilling multi-leg horizontal wells on these properties.

Current production from the Helmsman properties is averaging approximately 500 bbls/day of 35 degree API crude oil. We are planning to drill 12 wells on the Helmsman properties in 2004. The first two wells have been licensed with drilling anticipated in May.

The acquisition was funded through a combination of equity and debt financing. Concurrent with the closing of the acquisition, Bulldog closed an over subscribed private placement equity financing of 12,200,000 Class A common shares at a price of $1.15 per share for gross proceeds of $14 million. The underwriting syndicate was led by Tristone Capital Inc., and included FirstEnergy Capital Corp., Canaccord Capital Corporation and CIBC World Markets Inc. The balance of the funds required to complete the acquisition were advanced under an expanded credit facility arranged with the National Bank of Canada. Bulldog's credit facilities with the bank have been expanded to a $10.5 million operating line of credit and a continuation of the $3.0 million acquisition line of credit.

MESSAGE FROM THE PRESIDENT

OUR PLANS FOR 2004

Through the Helmsman acquisition, we have added three oil pools to Bulldog's existing four pool development drilling program in our 2004 budget. Our current expectations for 2004 include the drilling of 23 wells with a total capital expenditure budget of $12.0 million excluding acquisitions. This capital expenditure program will be funded primarily from cash flow supplemented by our bank lines of credit.

Bulldog's 2004 first quarter average production reflected a full contribution from our base assets as well as the volumes from the Helmsman acquisition after February 20, 2004. We expect to report an average of approximately 850 BOE/day in our first quarter report due out in mid-May. For the balance of the year, we are projecting average production levels of 1,325 BOE/day, split 90% light oil and natural gas liquids and 10% natural gas. Some of this projection is based upon success, appropriately risked, in our capital expenditure program which is budgeted at $12.0 million. The sum of the parts is an estimated full year average production rate of 1,200 BOE/day compared to the 2003 average of 533 BOE/day.

Crude oil and natural gas prices are very robust and above our budget benchmark assumptions of WTI oil price of US$33.00/barrel, an AECO natural gas price of $5.85/mcf, and an exchange rate of US$0.75/Cdn$1.00. Based on these budget parameters the resultant cash flow is $9.5 million or $0.30 per share based upon a conversion price of $1.25 for the Class B shares.

The Helmsman acquisition and associated $14 million equity financing created more interest in Bulldog in the financial community. We plan to aggressively pursue a strategic property or corporate acquisition to complement our drilling efforts. Bulldog currently has 30,401,730 Class A common shares and 372,768 Class B common shares outstanding. Our current market capitalization is $40 million with our common shares owned approximately 60% institutionally and 40% retail.

We will continue to evaluate and make offers on strategic acquisitions which have drilling opportunities in our core areas. In addition, we wish to expand our operations into a second natural gas area in 2004.

MESSAGE FROM THE PRESIDENT

STRENGTHENING OUR BENCH — PREPARED FOR GROWTH

Bulldog has made several changes involving the Board of Directors, management structure, and professional staff that strengthens our ability to carry out our business plan.

- **Craig Lothian** has assumed the role of non-executive Chairman of the Board. He was the unanimous choice of his fellow directors.
- **Bruce McKay**, one of the three co-founders of Bulldog, has been promoted to Chief Operating Officer. Bruce has been instrumental in the growth of Bulldog.
- **Harvey McDougall** has joined Bulldog as Chief Geophysicist. His fifteen year career with Shell Canada, Tri-Link Resources, and Seneca Energy has included significant drilling success in both oil prospects in Southeast Saskatchewan and natural gas plays in Alberta.
- **Michael Hutchison**, Senior Geologist, has been working in the industry since 1978. He spent 13 years with Sceptre Resources which included working on plays in Southeast Saskatchewan. He was involved in developing the geological model for channel exploration which was successful at Sceptre. Thereafter, he worked at Player Petroleum and Seneca Energy on successful on Alberta natural gas plays.

We continue to have our focus firmly set on the future growth of Bulldog. We wish to thank our shareholders for their continued support, our board of directors for their guidance, and our staff for their enthusiasm and dedication.

Ken McKay

Kenneth D. McKay, P. Geol.
President and Chief Executive Officer

April 26, 2004

activity up

PROPERTY REVIEW

Bulldog has established two core regions of operation: Southeast Saskatchewan and Rosevear, Alberta. These regions have been key to our efforts to establish the necessary critical mass to secure our status as a strong competitor in our industry. We now have a base of undeveloped lands, reserves, production and cash flow sufficient to enable us to diversify and establish ourselves in other regions.

SOUTHEAST SASKATCHEWAN

Summary Data

Well depth	1,100 meters with a 500m horizontal
Well costs	
Drilling costs	$540,000
Drilling, completion and tie-in costs	$750,000
Average reserves/well	100,000 bbls
Production/well	
Initial rates	150 bbls/day
After one year	80 to 100 bbls/day
Net undeveloped land	24,908 acres
Drilling inventory	30 locations

Southeast Saskatchewan became the dominant area of activity for our company in 2003 as we successfully pursued drilling opportunities on our undeveloped lands. This focused land position is highly prospective for light oil (34 degree API) in Mississippian age carbonate reservoirs at depths ranging from 1,100 to 1,500 meters. We are concentrating our development efforts on specific zones, which can have initial production rates per well of over 150 bbls/day and recoverable reserves in excess of 150,000 barrels per well.

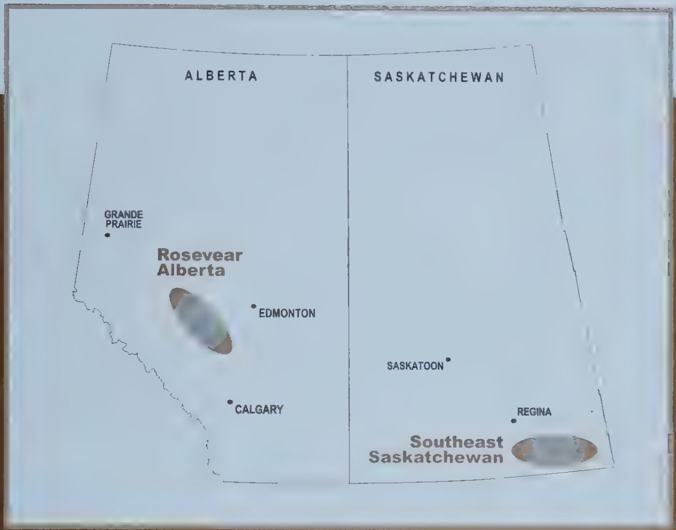
This region accounted for 62 % of production volumes in 2003 and 70 % of proven and probable reserves at year-end 2003. During the year, Bulldog drilled or re-entered 16 gross (6.2 net) wells in the region, 12 of which were operated.

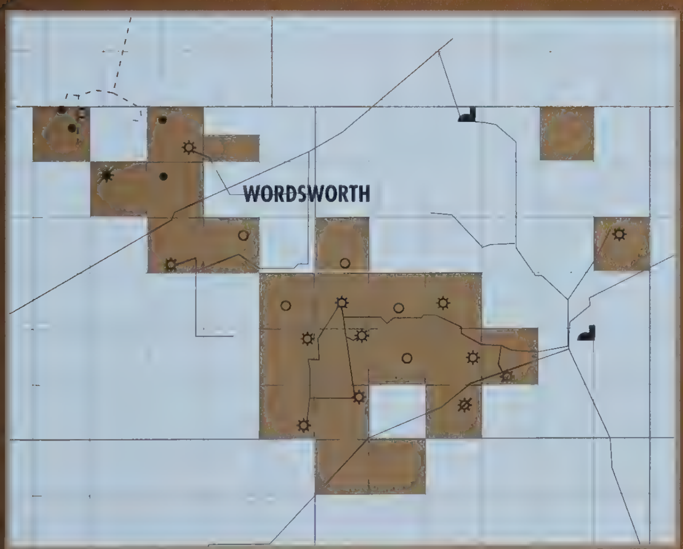
In February 2004, we acquired the Helmsman group of companies and associated properties. All of the acquired properties are adjacent to our current operations with similar producing zones and geological characteristics. This acquisition is a major strategic move in our growth strategy as it provides us with three additional light oil pools with significant development potential to add to our drilling program in 2004 and 2005.

PROPERTY REVIEW

The Helmsman acquisition increased our land position 28% to 30,489 net acres in Southeast Saskatchewan. This area accounts for 83% of our current production and 90 % of proven and probable reserves.

At the time of this writing, Bulldog's production volumes in Southeast Saskatchewan are averaging approximately 950 bbls/day of light oil. Bulldog has interests in 70 producing wells, 9 operated processing facilities and associated infrastructure, 24,908 net acres of undeveloped land, 176 square kms of 3-D seismic and 307 kms of 2-D seismic data in the region. We operate the majority of our properties.





We are planning a 2004 capital expenditure program including the drilling of 20 wells and facility up-grades. Our working interest on these projects will range from 50% to 100% and will be conducted on the Wauchope, Weir Hill, Wordsworth, Manor, Carlyle, Lightning, Willmar, Hastings, and Fremantle properties.

ROSEVEAR

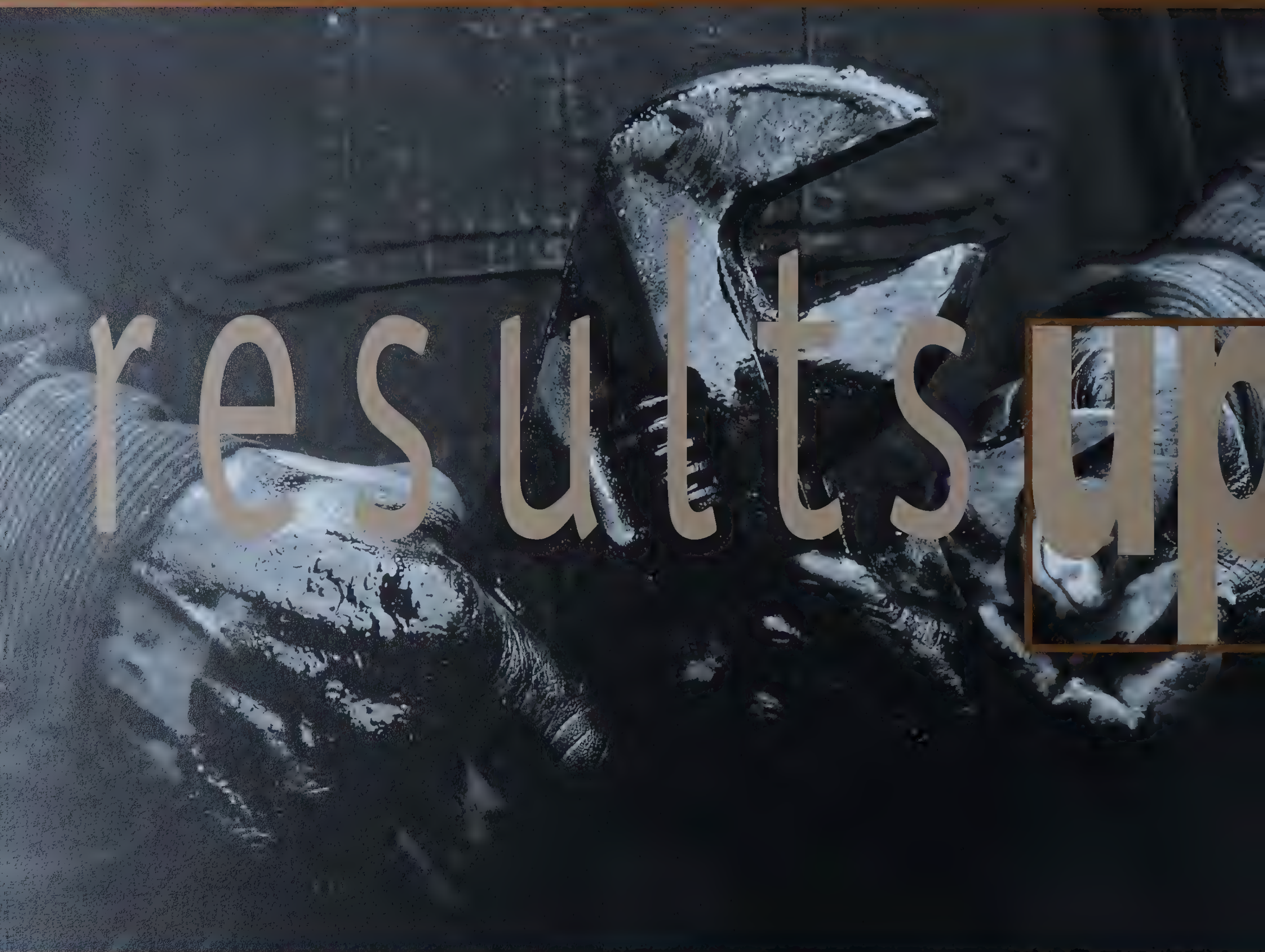
Rosevear is located approximately 180 kms west of Edmonton near the town of Edson, Alberta. This area offers multi-zone liquids rich sweet natural gas from reservoirs occurring at depths ranging from 1,100 to 2,400 meters. An existing natural gas plant with spare capacity in close proximity enables new production to be brought on-stream quickly.

Bulldog has an average 37% working interest in 10 producing natural gas wells, 5 producing oil wells, a compressor site and 23 kms of pipelines. A second compressor is currently being leased. Bulldog holds a total of 5,085 net acres of contiguous land.

Bulldog tied in five gas wells in the first quarter of 2003. We drilled three gross (1.5 net) wells in 2003 resulting in two gross (1.2 net) gas wells and one gross (.3 net) dry hole. The natural gas wells were tied-in during the first quarter of 2004. Two additional re-entries were unsuccessful.

At the time of this writing, Bulldog's production volumes from the Rosevear property are averaging approximately 230 BOE/day consisting of 1,200 mcf/day of natural gas, 12 bbls/day of natural gas liquids, and 18 bbls/day of light oil.

Additional drilling and existing well tie-in opportunities remain on this property. We have prioritized these opportunities with our other development drilling locations.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OPERATIONAL REPORTS

In 2003, the Canadian Securities Administrators adopted National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities. These standards require certain information to be filed on SEDAR (System for Electronic Document Analysis and Retrieval) and are intended to ensure that all public oil and natural gas companies disclose similar information prepared on the same basis. Bulldog has filed the required Form NI 51-101F1 as part of its Annual Information Form (AIF) which is available on both the SEDAR website (www.sedar.com) and Bulldog's website (www.bulldogenergy.ca). As this filing is very comprehensive, we have extracted certain information with respect to our operations usually reported by our industry in annual reports and present this information in the following sections. All such information is consistent with the Form NI - 51-101F1 filing.

Our industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis (BOE) whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved measurement of results and comparisons with other industry participants. In several sections that follow Bulldog has used the 6:1 BOE measure which is the approximate energy equivalency of the two commodities at the burner tip. BOE does not represent a value equivalency at the plant gate which is where Bulldog sells its production volumes and therefore may be a misleading measure if used in isolation.

UNDEVELOPED LAND

Undeveloped land is the basic building block to our industry in the exploration for petroleum and natural gas reserves. Bulldog acquires undeveloped land through property acquisitions, land sale auctions conducted by the Alberta and Saskatchewan governments and farm-ins with other industry participants.

	2003		2002	
December 31 (acres)	**Gross**	**Net**	Gross	Net
Alberta	**13,936**	**4,308**	11,375	3,073
Saskatchewan	**26,920**	**20,876**	24,899	18,336
Total	**40,856**	**25,184**	36,274	21,409
Average working interest		**62%**		59%

As most of the undeveloped lands are held under five year leases, approximately 20% of the acreage volumes are scheduled to expire in each of the next five years.

With the recent engagement of additional exploration staff, we expect to be more active in evaluating new areas to operate in and acquire additional lands in 2004.

OPERATIONAL REPORTS

DRILLING ACTIVITY

While undeveloped lands are the basic building block for our industry, the only true test of their viability is the commitment to drill. For a junior company, Bulldog has conducted a very active drilling program since its inception in late 2001.

	2003		2002	
Year ended December 31 (wells)	**Gross**	**Net**	Gross	Net
Oil completions	**12.0**	**4.7**	3.0	1.0
Natural gas completions	**2.0**	**1.2**	7.0	2.6
Dry and abandoned	**5.0**	**1.8**	4.0	2.0
Total wells	**19.0**	**7.7**	14.0	5.6
Success rate		**74%**		71%
Average working interest		**41%**		40%

Of the 19 gross wells drilled in 2003, 15 were operated by Bulldog. All of the oil wells were drilled horizontally in Southeast Saskatchewan with an average drill/complete/equipping cost of $750,000 per well. All of the natural gas wells were drilled at Rosevear in West Central Alberta to an average depth of 2,000 meters with an average drill/complete/equipping cost of $750,000.

PETROLEUM AND NATURAL GAS RESERVES

The most comprehensive of the disclosures required under NI 51-101 are those with respect to reserves. Bulldog engaged the independent engineering firm Gilbert Lausten Jung Associates Ltd. (GLJ) to evaluate our estimated reserves and future net revenues as of January 1, 2004. Their report, dated April 14, 2004, covered 100% of our reserves.

All of the following material presented is extracted from the GLJ report based upon the sections prepared using escalating price and cost assumptions. Bulldog believes these assumptions to be the most realistic presentation of such data as the sections based upon constant price and cost assumptions utilize year-end prices that are substantially higher than current forward prices. The tables based upon constant price and cost assumptions are set out in our Annual Information Form. Bulldog does not represent that the tables showing the undiscounted and discounted future net revenues as estimated by GLJ are representative of fair market value.

The change to the definitions of proved and probable reserves as implemented by NI 51-101 affects the comparability of the estimated reserve volumes and future net revenues as of January 1, 2004 with the prior year's report which used a different set of definitions.

OPERATIONAL REPORTS

For comparable year-end 2002 numbers, we have presented the proved and risked probable reserves (also known as established reserves) which we believe to be the most comparable data with the January 1, 2004 numbers.

Summary of Estimated Reserve Volumes — Escalating Prices and Costs

	Oil (mbbls)	Natural Gas (mmcf)	Total (BOE)
January 1, 2004			
Proved producing	**782**	**1,143**	**973**
Proved developed non-producing	**46**	**673**	**159**
Proved undeveloped	**118**	**167**	**145**
Total proved	**946**	**1,983**	**1,277**
Total probable	**373**	**811**	**507**
Total proved plus probable	**1,318**	**2,795**	**1,784**
January 1, 2003			
Total established reserves	713	3,048	1,221

Summary of Estimated Future Net Revenues — Escalating Prices and Costs (before income taxes) (000s)

	Undiscounted	Discounted at 10%
January 1, 2004		
Proved producing	**$ 14,357**	**$ 10,875**
Proved developed non-producing	**2,106**	**1,515**
Proved undeveloped	**1,901**	**1,077**
Total proved	**18,364**	**13,467**
Total probable	**6,060**	**3,125**
Total proved plus probable	**$ 24,425**	**$ 16,592**
January 1, 2003		
Total established reserves	$ 16,764	$ 11,425

The future net revenues are calculated based upon estimated revenues less royalties, operating costs, future development costs, and well abandonment costs. Estimated income taxes have not been deducted in arriving at these numbers.

OPERATIONAL REPORTS

Estimated future net revenues as of January 1, 2004 was based upon GLJ's projection of annual production volumes thereafter and the following benchmark price assumptions for the next five years (with comparisons to actual realizations in 2002 and 2003):

	WTI Crude OIL $US/bbl	Edmonton Light Oil $Cdn/bbl	AECO Natural Gas $Cdn/mmcf	Exchange Rate $US/$Cdn	Inflation Rate %
Historical					
2002	$26.08	$40.33	$4.04	$0.637	2.2%
2003	**$31.07**	**$43.66**	**$6.66**	**$0.721**	**2.8%**
Forecast					
2004	$34.25	$44.75	$6.65	$0.750	1.5%
2005	$29.00	$37.75	$5.55	$0.750	1.5%
2006	$27.00	$35.25	$5.20	$0.750	1.5%
2007	$25.00	$32.50	$5.00	$0.750	1.5%
2008	$25.00	$32.50	$5.00	$0.750	1.5%

Reconciliation of Changes in Reserve Volumes — Escalating Prices and Costs

	PROVED			PROVED & PROBABLE		
	Oil (mbbls)	Natural Gas (mmcf)	BOE (mboe)	Oil (mbbls)	Natural Gas (mmcf)	BOE (mboe)
January 1, 2003*	517	2,534	939	713	3,048	1,221
Drilling	450	453	526	555	195	588
Acquisitions	140	-	140	202	-	202
Revisions	(28)	(636)	(133)	(19)	(80)	(32)
Production	(133)	(368)	(195)	(133)	(368)	(195)
January 1, 2004	**946**	**1,983**	**1,277**	**1,318**	**2,795**	**1,784**

* *As previously stated, the reserve definitions applied in developing the 2002 year-end reserve volumes are somewhat different than those required for the 2003 year-end. The extent to which the differences impacted the reconciliation between the years is reflected in the revisions category.*

On a BOE basis, Bulldog's proved reserve additions from drilling and acquisitions in 2003 replaced production volumes 4.4 times.

OPERATIONAL REPORTS

EFFICIENCY MEASURES

Our industry is constantly engaged in the pursuit of increasing its inventory of reserves and converting them to higher production volumes. To be successful, we must not only replace current production volumes but we must do so economically. The three most common efficiency measures that the oil and natural gas industry uses to judge its performance against these objectives are: (1) finding and development costs; (2) reserve life index; and (3) the recycle ratio.

Finding and Development Costs

The calculation of finding and development (F&D) costs in our industry has been the number most subject to variability and inconsistency amongst companies. NI 51 – 101 has attempted to address this issue by mandating that such calculations: (1) include all estimated future capital costs to bring reserves on-stream in the same period as the volumes are initially recognized and variations thereafter; and (2) exclude the effects of corporate and property acquisitions and dispositions in an attempt to focus purely on exploration and development activities. The Canadian Securities Administrators were silent as to the choice in the following parameters in the calculation of F&D costs other than to require disclosure of each company's methodology:

- use of company interest (gross) or net of royalty reserve volumes;
- use of volumes developed under escalating or constant price and cost assumptions; and
- the inclusion or exclusion of costs related to undeveloped lands and seismic and future asset retirement costs.

The most controversial of the NI 51 – 101 provisions is the exclusion of the effect of acquisitions. Fundamentally our industry seeks to add to its reserve volumes through both exploration AND acquisition initiatives. Therefore Bulldog has chosen to disclose finding, development and acquisition (FD&A) costs including the effect of acquisitions. The F&D costs excluding the effect of acquisitions are disclosed in our Annual Information Form. The other parameters we applied in our calculations include:

- using company interest (gross) reserve volumes;
- using the escalated prices and costs case from the GLJ report;
- the inclusion of all capitalized costs recorded in the period including land and seismic costs; and
- the inclusion of the change in estimated future development costs required to bring the related reserves fully on production.

OPERATIONAL REPORTS

Inherently, the calculation of FD&A costs per BOE of reserve additions on an annual basis is an imprecise calculation. Estimated reserve volumes, future development costs and the capital spent in the current year on land and seismic for future reserve additions are variable for many reasons and therefore may unduly impact the annual calculation. Nevertheless, long-term measurements over several years negate some of this annual imprecision and are a reasonable indicator of corporate performance. Therefore we have presented our calculations both including and excluding the effect of revisions on the 2003 annual calculations as well as the numbers reflecting Bulldog's two year corporate history.

FINDING, DEVELOPMENT & ACQUISITION COSTS

		INCLUDING REVISIONS		EXCLUDING REVISIONS	
	Total Costs $000s	Reserve Additions mBOE	FD&A Costs per BOE	Reserve Additions BOE	FD&A Costs per BOE
Year ended December 31, 2003					
Proved	$ 8,795	532	$ 16.54	667	$ 13.18
Proved plus probable	$ 9,383	758	$ 12.38	793	$ 11.83
Cumulative to December 31, 2003					
Proved	$ 23,644	1,532	$ 15.45	1,666	$ 14.19
Proved plus probable	$ 26,378	2,038	$ 12.94	2,073	$ 12.72

Reserve Life Index

Reserves represent the lifeblood of our industry. The ensuing production generates cash flow which is the primary source of funds to reinvest in the business in the pursuit of not only replacing the related volumes but also growing the inventory of reserves. As our industry inherently must have a long-term focus, a critical measure is our staying power is measured by the reserve life index – in other words how many years of operation does our current reserve base represent based upon our current production levels. To measure this, Bulldog compares the annualized rate of fourth quarter production to year-end reserves based upon gross volumes determined on the escalating prices and costs case.

RESERVE LIFE INDEX *(years)*

January 1, 2004	Oil	Natural Gas	BOE
Proved	5.5	6.1	5.7
Proved plus probable	7.7	8.6	7.9

OPERATIONAL REPORTS

Recycle Ratio

Another measure of reserve efficiency ratios is the ratio between annual netbacks to annual finding and development costs expressed on a BOE basis. While the reserve life index represents a life-to-date picture of the volume of inventory, the recycle ratio is a short-term economic measure based solely upon annual measurements of current corporate netbacks realized from volumes produced divided by the current year's finding and development costs, excluding reserve revisions. The calculation of annual finding and development costs is volatile leading to some imprecision in the recycle ratio calculation; nevertheless it is considered important by our industry in evaluating short-term performance. Bulldog calculates this measure based upon gross reserve volumes as determined based upon the escalating price and cost assumptions including acquisitions.

ANNUAL RECYCLE RATIO *(times)*

	Proved	Proved plus Probable
2003	1.4	1.6
2002	0.6	0.6

GEOGRAPHICAL DISTRIBUTION

Bulldog has two core regions of operations. The majority of our oil activities are focused in Southeast Saskatchewan while all of our natural gas operations are conducted in the Rosevear area of West Central Alberta. While we do have a regional focus, our reserves and related production volumes are spread over several distinct geological pools.

	2003 AVERAGE DAILY PRODUCTION			RESERVES AS OF JANUARY 1, 2004*	
Operating Region	Oil (bbls)	Natural Gas (mcf)	Total (BOE)	Volumes (mBOE)	Future Net Revenues ($000s)
Southeast Saskatchewan	335	–	335	1,258	$ 11,168
Rosevear	30	1,007	198	526	5,424
Total	**365**	**1,007**	**533**	**1,784**	**$ 16,592**

* *The reserves as of January 1, 2004 are presented based upon gross proved and probable reserves determined under the escalating prices and costs case. The related future net revenues (before income taxes) reflect the 10% discount case.*


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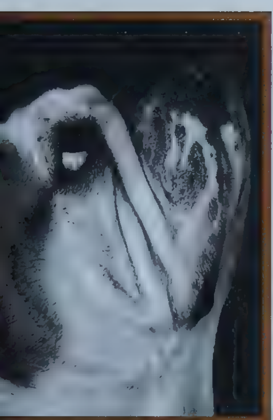
MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD

The intention of this Management's Discussion and Analysis (MD&A) is for Bulldog to explain to its shareholders and the investment community three analyses from management's perspective:

(1) how Bulldog performed in 2003,
(2) Bulldog's current financial condition, and
(3) Bulldog's future prospects.

This MD&A complements and supplements the disclosures in our audited financial statements which have been prepared according to Canadian generally accepted accounting principles (GAAP).



Given the objectives of the MD&A, certain information presented is of a forward looking nature. Such forward looking information involves substantial known and unknown risks and uncertainties. Most of these are beyond Bulldog's control and include: the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the availability of qualified personnel, stock market volatility, and the access to sufficient capital from internal and external sources. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by Bulldog at the time, may prove to be incorrect. Bulldog's actual results could differ materially from those expressed in, or implied by, such forward looking information.

Finally, in the presentation of the MD&A Bulldog uses two terms that are universally applied in analyzing corporate performance within our industry but which regulators require that we provide disclaimers.

- *Barrel of Oil Equivalent (BOE) – Our industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis (BOE) whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants. Throughout this MD&A Bulldog has used the 6:1 BOE measure which is the approximate energy equivalency of the two commodities at the burner tip. BOE does not represent a value equivalency at the plant gate which is where Bulldog sells its production volumes and therefore may be a misleading measure if used in isolation.*

- *Cash Flow from Operations (Cash flow) – This measure is considered critical within our industry both in terms of measuring success in our historical operations and being an indicator of funding sources for on-going efforts to replace production volumes and increase reserve volumes. Canadian GAAP requires that "cash flow from operating activities" be the measurement focus. This latter term is derived from "cash flow" as defined by Bulldog adjusted for the change in non-cash working capital. Bulldog believes "cash flow" and "cash flow per share" to be more meaningful measures of our performance and therefore have used these terms throughout this MD&A. Accordingly, we are required to advise the reader that: (a) these are non-GAAP measures for purposes of Canadian accounting standards; and (b) our determinations may not be comparable to those reported by other companies.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

In mid-2001, Bulldog was a concept developed by the three most senior members of our management team. Our initial funding in December 2001 totalled $5 million and we commenced active operations at the beginning of 2002. Bulldog has now completed two full years of operations and through exploration, development, acquisition, and equity financing initiatives has developed into a junior oil and natural gas company with a market capitalization of $24 million at the end of 2003. Presently, our market capitalization is $40 million with the successful completion of the Helmsman acquisition and associated financing in February 2004.

As an overview on our performance in 2003, we have summarized our production volumes, emphasizing daily averages, and our income statement, emphasizing each line item on a BOE basis.

Production Volumes

Year ended December 31	**2003**	2002
Annual volumes		
Oil *(barrels)*	**133,394**	29,215
Natural gas *(mcf)*	**367,710**	181,789
Barrels of oil equivalent *(BOE)*	**194,679**	59,513
Daily averages		
Oil *(bbls/day)*	**365**	80
Natural gas *(mcf/day)*	**1,007**	498
Barrels of oil equivalent *(BOE/day)*	**533**	163

Summarized Income Statement

	Per BOE		000s	
Year ended December 31	**2003**	2002	**2003**	2002
Revenues	**$ 38.96**	$ 32.28	**$ 7,584**	$ 1,921
Royalties	**(9.50)**	(8.25)	**(1,849)**	(491)
Operating costs	**(6.51)**	(8.10)	**(1,268)**	(482)
Operating income	**22.95**	15.93	**4,467**	948
General & administrative	**(2.95)**	(6.08)	**(574)**	(362)
Interest	**(1.53)**	(1.51)	**(299)**	(90)
Cash flow	**18.47**	8.34	**3,594**	496
Depletion & depreciation	**(11.19)**	(44.41)	**(2,178)**	(2,643)
Accretion of asset retirement obligations	**(0.47)**	(0.35)	**(91)**	(21)
Stock-based compensation	**(0.85)**	(1.18)	**(166)**	(70)
Future income taxes	**(1.06)**	14.65	**(205)**	872
Net income (loss)	**$ 4.90**	$ (22.95)	**$ 954**	$ (1,366)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in revenues was attributable to changes in both prices and production volumes analyzed as:

(000s)	Oil Revenues	Natural Gas Revenues	Total Revenues
Reported 2002 revenues	$ 1,114	$ 807	$ 1,921
Effect of prices	(80)	947	867
Effect of production volumes	3,971	825	4,796
Reported 2003 revenues	$ 5,005	$ 2,579	$ 7,584

The major factors influencing Bulldog's improved results in 2003 were:

- Oil production volumes more than quadrupled primarily due to a full year of production from the Flatland properties that were acquired on October 31, 2002 and further exploitation of the acquired properties in 2003.
- Natural gas production volumes more than doubled due to our development operations in early 2003.
- Both oil and natural gas prices remained robust throughout 2003 and natural gas prices substantially exceeded the realizations of the prior year.
- Operating and administrative costs expressed on a BOE basis decreased significantly reflecting efficiencies realized through increased scale of operations.
- Depletion and depreciation expense was reduced, despite higher production volumes, as a $2 million ceiling test write-down was required in 2002; no such write-down was required for 2003.
- Future income taxes in 2003, expressed as a percentage of pre-tax income, benefited substantially from the reduction in income tax rates.

Some of our growth in 2003 was financed by equity issues and therefore the improvements in absolute results were diluted when expressed on a per share basis. Nevertheless, our results expressed on a per share basis improved significantly with cash flow per share increasing five fold.

	2003	2002
Cash flow per share		
Basic and diluted	**$ 0.19**	$ 0.04
Earnings (loss) per share		
Basic and diluted	**$ 0.05**	($0.12)

Bulldog's financial position at December 31, 2003 was the strongest it has experienced in its two year history. Our balance sheet was heavily weighted to equity financing with our indebtedness (outstanding debt plus working capital deficiency) to total capitalization of 30%. Our ratio of indebtedness to cash flow was 1.2 years. In February 2004, we completed the Helmsman acquisition for $19.3 million. Net proceeds of $13.3 million from an equity issue financed 69% of the purchase price thus continuing our strong financial position into 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The growth in our operations in 2003 together with the Helmsman acquisition have positioned Bulldog for further gains in 2004. Production volumes are expected to more than double in 2004 while current commodity prices give every indication of at least matching 2003 levels. As a result, budgeted cash flow in 2004 is expected to more than double to approximately $9.5 million and provide most of the financing for our budgeted $12.0 million capital expenditure program excluding the Helmsman acquisition.

Bulldog's biggest challenge over the next few years is to expand into new areas of operations in a very competitive environment. We have recently added experienced professional staff which together with our strong financial position enables Bulldog to pursue this goal with vigour.

RESULTS OF OPERATIONS

Our industry commonly expresses various operating results on a unit of production basis and other statistical measures which are the bases of the following analyses.

Operating Income

Operating income is defined as revenues less royalties and operating costs. In 2003, 72% was derived from our oil operations virtually all of which are conducted in Southeast Saskatchewan. The balance was sourced from our natural gas operations at Rosevear in West Central Alberta. The relationship in 2002 was virtually identical at 71%.

OIL OPERATIONS — OIL NETBACKS PER BARREL

Year ended December 31		**2003**	2002*
WTI benchmark price	*$US*	**31.04**	27.47
Market differential	*$US*	**(0.19)**	(0.75)
Exchange rate	*$US/$Cdn*	**0.716**	0.637
Edmonton light benchmark price	*$Cdn*	**43.14**	41.88
Corporate differential	*$Cdn*	**(4.99)**	(3.76)
Bulldog average oil price realization	*$/barrel*	**38.15**	38.12
Forward price contracts gain/(loss)		**(0.63)**	–
Royalties		**(8.60)**	(8.05)
Operating costs		**(4.69)**	(7.06)
Bulldog realized netback	*$/barrel*	**24.23**	23.01
Average royalty rate		**22.5%**	21.1%
Average daily production	*(barrels)*	**365**	80

* *As 68% of our 2002 oil production volumes occurred in the fourth quarter, the 2002 benchmark prices reflect the quarterly weighted averages instead of the annual averages.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Production volumes more than quadrupled in 2003 reflecting: a) a full year's production from the Flatland acquisition that was completed on October 31, 2002, and b) incremental volumes from our 2003 drilling program.

The benchmark WTI oil price increased 13% in 2003 due to tight supply and demand fundamentals and political uncertainties. However, the improvement was negated by the appreciation of the Canadian dollar in 2003 and a widening in corporate differentials. Bulldog's average oil price realization was unchanged from 2002. Our average royalty rate increased marginally due to somewhat higher rates on the incremental production volumes.

Bulldog's operating cost per barrel improved substantially as the higher production volumes resulted in improved efficiencies.

NATURAL GAS OPERATIONS — NATURAL GAS NETBACKS PER THOUSAND CUBIC FEET

Year ended December 31		**2003**	2002
NYMEX benchmark price	*$US*	**5.49**	3.35
Market differential	*$US*	**(0.70)**	(0.69)
Exchange rate	*$US/$Cdn*	**0.716**	0.637
AECO benchmark price	*$Cdn*	**6.70**	4.18
Corporate differential	*$Cdn*	**0.31**	0.26
Bulldog average natural gas price realization	*$/mcf*	**7.01**	4.44
Royalties		**(2.23)**	(1.74)
Operating costs		**(1.75)**	(1.52)
Bulldog realized netback	*$/mcf*	**3.03**	1.18
Average royalty rate		**32.0%**	39.4%
Average daily production	*(mcf)*	**1,007**	498

In the first quarter of 2003, Bulldog conducted an active development program at Rosevear which resulted in production more than doubling year over year.

The benchmark NYMEX natural gas price increased 64% in 2003 as normal supply and demand forces increased prices from the relatively low levels experienced through the first nine months of 2002. While the appreciation of the Canadian dollar eroded some of this increase, Bulldog still realized a 58% improvement in our average price realization. Despite this price improvement, our average royalty rate fell as the incremental volumes did not have the same degree of freehold and over-ride royalties as previous volumes.

Operating costs per thousand cubic feet increased somewhat due to the leasing of a new compressor and the expensing of the associated lease payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General and Administrative Expenses

Year ended December 31 (000s)	**2003**	2002
Gross expenses	**$ 1,185**	$ 681
Operator recoveries	**(318)**	(79)
Capitalized overhead	**(293)**	(240)
Net expenses	**$ 574**	$ 362
Average cost per BOE		
Gross	**$ 6.08**	$ 11.45
Net	**$ 2.95**	$ 6.08

As production volumes increase, Bulldog has been able to realize economies of scale on a per unit basis. Throughout 2003, we employed the equivalent of six full time staff members versus four full time equivalents in 2002.

Interest and Financial Expenses

Year ended December 31 (000s)	**2003**	2002
Interest expenses – long-term debt	**$ 258**	$ 45
Interest expenses – operating loan	**14**	2
Other financial charges	**27**	43
Total	**$ 299**	$ 90
Average cost per BOE	**$ 1.53**	$ 1.51
Average debt outstanding	**$ 2,553**	$ 427
Average interest rate	**10.7%**	11.0%

The interest rate on the subordinated long-term debt assumed on the October 31, 2002 Flatland acquisition is 11%; the increased expense in 2003 reflects debt outstanding for the full year versus only the last two months of 2002. During the first half of 2003, the bank operating loan facility was used regularly. On July 3, 2003 we completed an equity financing and therefore the facility was not utilized for the rest of the year. Other financial charges include bank fees, interest paid to the income tax authorities on the renunciation of flow through share deductions prior to the expenditures being incurred, and interest earned on short-term investments of cash balances on hand following equity financings.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-Cash Expenses

Year ended December 31	**2003**	2002
Depletion and depreciation *(000s)*	**$ 2,178**	$ 2,643
Per BOE	**$ 11.19**	$ 44.41
Accretion of asset retirement obligations *(000s)*	**$ 91**	$ 21
Per BOE	**$ 0.47**	$ 0.35
Stock based compensation *(000s)*	**$ 166**	$ 70
Per BOE	**$ 0.85**	$ 1.18
Future income taxes (reduction) *(000s)*	**$ 205**	($872)
Per BOE	**$ 1.06**	($14.65)
Apparent income tax rate	**17.7%**	(39.0%)

In 2002, a $2 million ceiling test write-down was recorded which accounts for the large difference in depletion and depreciation expense when expressed on a BOE basis.

Bulldog early adopted two new accounting standards in 2003 – asset retirement obligations and stock-based compensation. The rules governing these expense calculations are prescriptive and based upon several estimates that will continue to vary over time.

In 2003, there were several changes to the income tax act with respect to natural resources including a reduction in the federal tax rate, deductibility of Crown royalties, and the elimination of the resource allowance. These changes are to be phased in over a five year period. There was a very significant reduction in future income taxes in the first year of these changes taking place and therefore the apparent income tax expense and rate in 2003 are unusually low.

Capital Expenditures

Year ended December 31 (000s)	**2003**	2002
Property acquisitions	**$ 1,493**	$ 1,825
Lease acquisitions and retentions	**495**	46
Seismic	**662**	548
Drilling & completions	**4,007**	3,619
Equipping, pipelines and facilities	**1,335**	500
Asset retirement costs	**348**	597
Head office	**29**	58
Corporate acquisition	**–**	6,767
Total capital expenditures	**$ 8,369**	$ 13,960

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Our industry operates within several parameters affecting its liquidity and capital resources:

- It is capital intensive requiring cash infusions on a regular basis as it seeks to grow its business.
- Its inventory of product for sale – its reserves – needs to be constantly replenished and augmented.
- It is a price taker when selling its inventory of oil and natural gas reserves.

Given these constraints, Bulldog finances its operations primarily through equity sources and cash flows. We maintain credit facilities to finance working capital fluctuations, incremental exploration and development activities, and acquisitions.

December 31, 2003 Analysis

Our indebtedness at December 31, 2003 totalled $4.5 million consisting of a term facility of $2.1 million and a working capital deficiency of $2.4 million. The ratio of total indebtedness to the total of indebtedness and shareholders' equity was 30%. Another measure of evaluating indebtedness in our industry is the relationship of indebtedness outstanding to cash flows; in Bulldog's case this was 1.2 years at year-end. Both of these measures are very attractive and represent financial strength.

Our working capital deficiency at December 31, 2003 was $2.4 million. As all revenue receivables and trade payables are normally settled on a monthly basis, it is common in our industry to have working capital deficiencies when an active capital expenditure program is underway. Bulldog was very active in the fourth quarter of 2003 resulting in the large deficiency at year-end. This amount was readily financed in early 2004 by on-going cash flows and the operating bank line of credit.

Current Analysis

The Helmsman acquisition and associated equity financing resulted in a significant change to Bulldog's capital structure. As of April 26, 2004, Bulldog's capital structure reflected the following:

OUTSTANDING DEBT

	April 26 2004
Banking operating loan (authorized $10,500,000)	$ 7,420,000
Term debt facility (due by November 1, 2005)	1,958,000
Total debt	$ 9,378,000

MANAGEMENT'S DISCUSSION AND ANALYSIS

In February 2004, our bank credit facilities were renegotiated in conjunction with the Helmsman acquisition to provide for an operating line of credit of $10.5 million and an acquisition line of credit of $3.0 million. Most of the Helmsman acquisition cost was financed by an equity issue with a draw of $6.0 million on the operating line to finance the balance.

COMMON SHARES OUTSTANDING

	April 26 2004
Class A common shares outstanding	30,401,730
Class B common shares outstanding	372,768
Total Common Shares outstanding (conversion rate $1.25*)	33,383,874
Stock options to purchase Class A shares	
Exercisable at $0.40 per share until 2007	505,000
Exercisable at $0.85 per share until 2007	30,000
Exercisable at $0.75 per share until 2007	80,000
Exercisable at $0.80 per share until 2007	415,000
Exercisable at $0.70 per share until 2008	20,000
Exercisable at $1.02 per share until 2008	90,000
Exercisable at $1.05 per share until 2008	270,000
Exercisable at $1.23 per share until 2009	125,000
Exercisable at $1.25 per share until 2009	125,000
	1,660,000
Warrants to purchase Class A common shares	
Exercisable at $1.10 per share until November 1, 2004	400,000
Total Common Shares outstanding after conversion and exercise of all stock options and warrants	35,443,874
Total proceeds due on conversion and exercise of all stock options and warrants	$ 1,758,800

* *The conversion of the Class B common shares into Class A common shares is based upon a formula of $10.00 divided by the greater of $1.00 and the Class A market price at the time of conversion which may occur at any time in 2005 and 2006 at Bulldog's option. The $1.25 conversion rate used in the table represents the recent trading price of the Class A shares.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contractual Obligations

In the normal course of business, Bulldog enters into various commitments including debt obligations and operating leases. Our forward contractual obligations for the next five years are summarized as:

Contractual obligations	2004	2005
Term debt repayments	$ 1,150,000	$ 975,000
Compressor lease	72,000	12,000
Office lease	66,000	–
Total contractual obligations	$ 1,288,000	$ 987,000

As the majority of our on-going capital expenditure program is directed to the further growth of reserves and production volumes, Bulldog is readily able to adjust its budgeted capital expenditures should the need arise. All of the term debt facility is due by November 1, 2005 – we have the resources to repay this facility as scheduled.

Bulldog has considerable financial strength, through its cash flows and credit capacity, to fund all of its commitments in 2004 and, if considered desirable, to expand its capital expenditure budget.

GUIDANCE FOR 2004

Our critical budget parameters for 2004 include the following:

- Benchmark price assumptions
  - WTI oil price US$33.00/barrel
  - NYMEX natural gas price US$5.00/mcf; AECO natural gas price Cdn$5.85/mcf
  - Foreign exchange rate of US$0.75 to Cdn$1.00
- Production volume assumptions
  - Average daily production
    - Oil – 1,050 barrels per day
    - Natural gas – 900 mcf per day
    - BOE – 1,200 BOE/day
- Resultant cash flows – $9.5 million
  - Per Common Share (basic) – $0.30/share
- Capital expenditures (excluding acquisitions) – $12.0 million

MANAGEMENT'S DISCUSSION AND ANALYSIS

Current forward prices for oil and natural gas are higher than our budget assumptions. Our cash flow sensitivities to fluctuations are:

CASH FLOW SENSITIVITY TABLE FOR 2004

	Amount	Per share
Commodity prices		
Change of US$1.00/barrel in the benchmark WTI oil price	$ 395,000	$ 0.01
Change of Cdn$0.10/mcf in the benchmark AECO natural gas price	$ 24,000	–
Production volumes		
Change of 100 bbls/day of average oil production	$ 875,000	$ 0.03
Change of 100 mcf/day of average natural gas production	$ 100,000	$ –
Exchange rate		
Change of $0.01 in the $US / $Cdn exchange rate	$ 190,000	$ 0.01

We will continue to provide meaningful updates on these projections throughout 2004.

We reiterate our caution about forward looking statements that was presented at the beginning of this MD&A. There is a high degree of volatility in our industry generally and in the degree of success in our capital expenditure programs.

ADDITIONAL DISCLOSURES

Critical Accounting Estimates

In the preparation of the financial statements, it was necessary for Bulldog to make certain estimates that were critical to determining our assets, liabilities and net income. None of these estimates affect the determination of cash flow but do have a significant impact in the determination of net income.

RESERVES ESTIMATION

Bulldog engaged the independent engineering firm Gilbert Laustsen Jung Associates Ltd. (GLJ) to evaluate 100% of our oil and natural gas reserves and prepare a report thereon. This report was utilized in: a) the calculation of depletion and depreciation expense, b) the application of the ceiling test, and c) the calculation of asset retirement obligations. The estimation of the reserve volumes and future net revenues set out in the GLJ report is complex and subject to uncertainties and interpretations. Judgments are based upon engineering data, projected future rates of production, forecasts of commodity prices, and the timing of future expenditures. Inevitably the estimates of reserve volumes and future net revenues will vary over time as new data becomes available. The impact of such revisions on the related critical accounting estimates in 2003 was not significant.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ASSET RETIREMENT OBLIGATIONS

Bulldog has estimated its asset retirement obligations pursuant to the new accounting standard. This process required estimates of costs to abandon and reclaim well sites and production facilities, projected timing of incurring such costs, inflation rates, and discount rates. These estimates will vary over time as new data becomes available and will impact both the liability recorded as well as accretion expense. The impact of such revisions in 2003 was not significant.

STOCK-BASED COMPENSATION

Bulldog has early adopted the new accounting standard requiring the recognition of an expense upon the granting of stock options. The calculation is based upon estimates of volatility in the stock market trading price of our shares, expected time frames that options will remain unexercised, and the risk-free interest. All of these estimates are subjective.

Changes in Accounting Policies

The CICA adopted several new accounting standards that become effective in 2004. Bulldog chose to early adopt all of these standards in the preparation of its 2003 financial statements.

OIL AND GAS ACCOUNTING – FULL COST – CICA ACCOUNTING GUIDELINE ACG – 16

The principal change from the previous standard is in the calculation of the ceiling test to substantiate the carrying value of petroleum and natural gas properties. The change is from a calculation of recoverable value based on constant prices and costs to one based upon fair value using forecasted prices and costs of oil and natural gas. Should the carrying value of petroleum and natural gas properties exceed the recoverable value, an impairment loss is recognized. For the year ended December 31, 2003, the application of AcG-16 did not result in an impairment loss; the application of the previous guideline would have produced the same result.

ASSET RETIREMENT OBLIGATIONS – CICA HANDBOOK SECTION 3110

Bulldog will incur substantial expenditures to abandon and reclaim well sites and production facilities when the associated reserves become depleted. The new standard requires recognition of the estimated liability for such expenditures related to all the reserves discounted at the appropriate rate whereas the old standard required the accumulation of an undiscounted liability determined only by reference to current production volumes. As compared to the previous accounting standard, this change resulted in: (i) a decrease in net income for 2003 of $69,838 (2002 - $51,991); (ii) an increase in asset retirement obligations and associated capitalized costs at December 31, 2003 of $1,435,625 (2002 - $996,281); and (iii) the elimination of the previously booked future site restoration liability at December 31, 2002 of $199,721.

MANAGEMENT'S DISCUSSION AND ANALYSIS

STOCK-BASED COMPENSATION – CICA HANDBOOK SECTION 3870

Bulldog grants stock options to its employees and directors to serve as a long-term incentive to align their interests with the shareholders. The new standard requires recognition in the financial statements of a compensation expense when stock options are granted. The determination of this expense is highly subjective with most companies applying the Black-Scholes option pricing model. The adoption of the new standard resulted in a decrease in net income and increase to contributed surplus for 2003 of $166,000 (2002 - $70,000).

Financial Instruments

COMMODITY PRICE RISK MANAGEMENT

Bulldog is exposed to fluctuations in oil and natural gas prices and occasionally enters into future price contracts specifying either a fixed future settlement price or a price range within which Bulldog will realize. The primary reason for entering into such contracts is to protect cash flows and in doing so assure the financing for our capital expenditure program.

Subsequent to December 31, 2003 Bulldog entered into the following costless collar oil contracts with the purchaser of our crude oil:

Dates	Price range WTI $US	Volume
March 1, 2004 to August 31, 2004	$28.30 - $33.50	100 barrels per day
March 1, 2004 to August 31, 2004	$28.50 - $33.65	100 barrels per day
March 1, 2004 to February 28, 2005	$28.45 - $33.20	100 barrels per day
March 1, 2004 to February 28, 2005	$29.00 - $33.00	100 barrels per day

CREDIT RISK MANAGEMENT

A substantial portion of Bulldog's accounts receivable are with customers and joint venture partners in the oil and natural gas industry and are subject to normal industry credit risks. Normal settlement terms are 30 days. We are exposed to credit risk on our commodity future price contracts due to the potential for non-performance by counter parties. We mitigate this risk by only dealing with well established marketing companies or major financial institutions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FAIR VALUE MEASUREMENT

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. The fair value of fixed rate long-term debt is determined by discounting the contractual cash flows under the debt facility at discount rates which represent interest rates presently available to Bulldog for a debt facility with a similar term and maturity. Based on this, the fair value of long-term debt as at December 31, 2003 was not significantly different from its carrying value.

Related Party Transactions

On November 14, 2003 Bulldog completed the purchase of an oil and natural gas property from a private company which is controlled by a director of Bulldog for cash consideration of $1,100,000 and a 2.5% gross overriding royalty on one quarter section of undeveloped land. The property was evaluated by an independent reserve engineering firm to substantiate the purchase price and the transaction was approved by the remaining members of the Board of Directors prior to its completion.

During the year Bulldog incurred $62,081 (2002 - $63,669) of legal fees to a law firm in which one of Bulldog's directors is a partner. At December 31, 2003 accounts payable and accrued liabilities included $6,592 (2002 - $34,721) due to this related party.

ANNUAL ANALYSIS

Year ended December 31	**2003**	2002
Production volumes		
Oil *(bbls/day)*	**365**	80
Natural gas *(mcf/day)*	**1,007**	498
BOE /day	**533**	163
Average selling price		
Oil ($/bbl)	**$ 37.52**	$ 38.12
Natural gas/mcf	**$ 7.01**	$ 4.44
BOE	**$ 38.96**	$ 32.28
Revenues (000s)	**$ 7,584**	$ 1,921
Cash flow (000s)	**$ 3,594**	$ 496
Per share – basic and diluted	**$ 0.19**	$ 0.04
Net income (loss) (000s)	**$ 954**	($1,366)
Per share – basic & diluted	**$ 0.05**	($0.12)
Capital expenditures (000s)	**$ 8,369**	$ 13,960
Total assets (000s)	**$ 23,634**	$ 14,614
Total debt (000s)	**$ 2,125**	$ 2,500

MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY ANALYSIS

	2003				2002			
Year ended December 31	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Production volumes								
Oil *(bbls/day)*	**465**	**365**	**328**	**301**	214	39	44	22
Natural gas *(mcf/day)*	**883**	**1,149**	**1,273**	**721**	626	781	442	135
BOE/day	**612**	**557**	**541**	**421**	319	169	118	44
Average selling price								
Oil *($/bbl)*	**35.58**	**35.76**	**36.26**	**44.15**	39.36	37.70	35.72	31.25
Natural gas *($/mcf)*	**6.28**	**6.35**	**7.34**	**8.42**	5.92	3.13	4.60	4.69
BOE *($)*	**36.09**	**36.56**	**39.33**	**45.98**	38.10	23.09	30.65	29.64
Revenues *($000s)*	**2,032**	**1,873**	**1,935**	**1,744**	1,117	359	328	117
Cash flow *($000s)*	**947**	**853**	**978**	**817**	468	15	29	(16)
Per share – basic & diluted *($)*	**0.05**	**0.04**	**0.06**	**0.05**	0.03	–	–	–
Net income *($000s)*	**100**	**101**	**573**	**180**	79	(22)	(1,363)	(60)
Per share – basic & diluted *($)*	**0.01**	**0.00**	**0.04**	**0.01**	0.01	–	(0.14)	–
Capital expenditures *($000s)*	**5,204**	**1,155**	**1,014**	**996**	8,945	449	580	3,986

In comparing cash flow and net income in the fourth quarter of 2003 to the previous quarter, the improvements were attributable to increased production volumes as prices remained flat.

There are four principal reporting documents that Bulldog must prepare and file on an annual basis:

- Management's Discussion & Analysis (MD&A);
- Audited Financial Statements;
- Information Circular; and
- Annual Information Form (AIF).

The first two of these are set out in this 2003 Annual Report which together with the Information Circular are mailed to all shareholders. All of these documents are available upon request to Bulldog. They may also be retrieved electronically from the SEDAR website (www.sedar.com) or from Bulldog's website (www.bulldogenergy.ca). These websites will also have additional information about Bulldog Energy.

April 26, 2004

MANAGEMENT'S REPORT

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying financial statements and all information in this annual report are the responsibility of management and the Board of Directors of Bulldog. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. The financial and operating information presented in the Annual Report is consistent with that shown in the financial statements.

Management maintains an appropriate system of internal controls, which ensures transactions are appropriately authorized and accurately recorded, assets are safeguarded and financial records are properly maintained.

External auditors, appointed by the shareholders, have conducted an examination of the corporate and accounting records and have provided an independent professional opinion. The Audit Committee, appointed by the Board of Directors and comprised entirely of directors who are not officers or employees of Bulldog, has reviewed the financial statements with management and the external auditors and has reported to the Board of Directors. The Board has approved the financial statements.

Ken McKay

Kenneth D. McKay, P. Geol.
President & Chief Executive Officer

A Brereton

Ailsa Brereton, C.A.
Controller & Chief Financial Officer

Calgary, Alberta
April 26, 2004

AUDITORS' REPORT

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Bulldog Energy Inc. as at December 31, 2003 and 2002, and the consolidated statements of income (loss) and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

April 26, 2004

CONSOLIDATED BALANCE SHEETS

As at December 31

	2003	2002 Restated (note 3)
Assets		
Current assets:		
Cash	$ 2,771,597	$ 277,237
Accounts receivable	1,711,564	1,378,023
	4,483,161	1,655,260
Petroleum and natural gas properties *(note 5)*	17,884,353	11,692,465
Goodwill *(note 4)*	1,266,158	1,266,158
	$ 23,633,672	$ 14,613,883
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 6,831,381	$ 3,785,618
Current portion of long-term debt *(note 6)*	1,150,000	375,000
	7,981,381	4,160,618
Long-term debt *(note 6)*	975,000	2,125,000
Asset retirement obligations *(note 7)*	1,435,625	996,281
Future income taxes *(note 8)*	2,904,176	2,286,072
Shareholders' equity:		
Share capital *(note 9)*	10,513,373	6,341,822
Contributed surplus *(note 9(e))*	236,000	70,000
Deficit	(411,883)	(1,365,910)
	10,337,490	5,045,912
Subsequent events *(note 13)*		
	$ 23,633,672	$ 14,613,883

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Claudio A. Ghersinich, *P.Eng.*
Director

John A. Thomson, *C.A.*
Director & Chairman
of the Audit Committee

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND DEFICIT

Years ended December 31

	2003	2002 Restated (note 3)
Revenues	**$ 7,584,289**	$ 1,920,989
Royalties	**(1,849,211)**	(491,133)
Production expenses	**(1,267,948)**	(482,121)
	4,467,130	947,735
Expenses:		
General and administrative	**573,845**	361,840
Interest *(note 6)*	**298,810**	89,829
Depletion and depreciation	**2,177,613**	2,643,102
Accretion of asset retirement obligations *(note 7)*	**91,168**	20,928
Stock-based compensation *(note 9 (e))*	**166,000**	70,000
	3,307,436	3,185,699
Income (loss) before income taxes	**1,159,694**	(2,237,964)
Future income tax expense *(reduction) (note 8)*	**205,667**	(872,054)
Net income (loss)	**954,027**	(1,365,910)
Deficit, beginning of year:		
As previously reported	**(1,243,919)**	–
Retroactive adjustment for changes in accounting policies:		
Asset retirement obligations *(note 3(b))*	**(51,991)**	–
Stock-based compensation *(note 3 (c))*	**(70,000)**	–
As restated	**(1,365,910)**	–
Deficit, end of year	**$ (411,883)**	$ (1,365,910)
Earnings (loss) per common share:		
Basic and diluted	**$ 0.05**	$ (0.12)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	2003	2002
		Restated (note 3)
Cash provided by (used in)		
Operating activities:		
Net income (loss)	$ **954,027**	$ (1,365,910)
Items not involving cash:		
Depletion and depreciation	**2,177,613**	2,643,102
Accretion of asset retirement obligations	**91,168**	20,928
Stock-based compensation	**166,000**	70,000
Future income tax expense (reduction)	**205,667**	(872,054)
Cash flow from operations	**3,594,475**	496,066
Change in non-cash operating working capital	**(294,640)**	437,694
Cash flow from operating activities	**3,299,835**	933,760
Financing activities:		
Issue of share capital, net of issue costs	**4,583,988**	1,925,433
Increase in long-term debt	**–**	1,000,000
Repayment of long-term debt	**(375,000)**	–
Change in non-cash financing working capital	–	(214,110)
	4,208,988	2,711,323
Investing activities:		
Petroleum and natural gas properties	**(8,021,325)**	(6,596,265)
Flatland acquisition, net of cash acquired *(note 4)*	**–**	(3,208,785)
Change in non-cash investing working capital	**3,006,862**	1,835,655
	(5,014,463)	(7,969,395)
Increase (decrease) in cash	**2,494,360**	(4,324,312)
Cash, beginning of year	**277,237**	4,601,549
Cash, end of year	$ **2,771,597**	$ 277,237

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2003 and 2002

NOTE 1. BASIS OF PRESENTATION:

Bulldog Energy Inc. ("Bulldog") was incorporated under the laws of the Province of Alberta on July 3, 2001. Bulldog is engaged in the business of exploration, development and production of petroleum and natural gas.

The preparation of these financial statements requires management to make a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses and the disclosure of contingencies. In particular, the amounts recorded for depletion and depreciation of petroleum and natural gas properties, the ceiling test, asset retirement obligations, and stock-based compensation are based on estimates of proved reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require adherence to numerous accounting policies. The following paragraphs summarize the most significant of the policies followed by Bulldog. Bulldog has selected the full cost method of accounting in preference to the alternative successful efforts method of accounting in conformity with the practice of virtually all Canadian independent oil and natural gas companies. The policies described in the following paragraphs are provided for greater clarity to understand the practices followed in the preparation of these financial statements.

Certain of the following accounting policies have been adopted for the year ended December 31, 2003 in accordance with revisions published by the Canadian Institute of Chartered Accountants ("CICA"). These newly adopted policies and the impact thereof are more fully described in Note 3.

(a) Petroleum and natural gas properties:

Bulldog follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploring and developing oil and natural gas properties and related reserves are capitalized. Such capitalized costs include land acquisitions, geological and geophysical expenditures, lease rentals on non-producing properties, expenditures of drilling both productive and non-productive wells, production equipment, asset retirement costs and the portion of general and administrative expenses directly attributable to exploration and development activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Proceeds from the sale of properties are normally deducted from capitalized costs without recognition of a gain or loss. Gains and loses on the sale of properties are recognized only when such dispositions would alter the depletion and depreciation expense rate by a factor of 20% or more.

The costs of acquiring unproved properties are initially excluded from capitalized costs in the calculation of depletion and depreciation expense. These properties are assessed periodically to ascertain whether a valuation impairment has occurred. When proven reserves are assigned to such properties or a valuation impairment has occurred, the costs of the properties are included in capitalized costs for purposes of the depletion and depreciation expense calculation.

Capitalized costs, plus estimated future development expenditures less estimated future salvage values, are recognized as depletion and depreciation expense using the unit-of-production method based upon estimated proven reserves (before deduction of royalties) as determined by independent reserve consultants. For purposes of this calculation, natural gas reserve and production volumes are converted to equivalent volumes of oil based upon the energy equivalency ratio of six thousand cubic feet of natural gas to one barrel of oil.

Bulldog applies a "ceiling test" to the net book value of petroleum and natural gas properties to ensure that such carrying value does not exceed the estimated fair value of the properties. The carrying value is assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceeds the carrying value. If the carrying value is assessed to not be recoverable, the calculation compares the carrying value to the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. Should the carrying value exceed this sum, an impairment loss is recognized. The cash flows are estimated using projected future product prices and costs and are discounted using the credit adjusted risk-free interest rate.

Certain of Bulldog's exploration, development, and production activities are conducted jointly with others. These financial statements reflect only Bulldog's proportionate share in such activities.

(b) Goodwill:

Goodwill arises on business combinations to the extent that the consideration given exceeds the fair value of the net assets acquired. Goodwill is tested for impairment at least on an annual basis. A goodwill impairment loss is recognized if the carrying value of goodwill exceeds its fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Asset retirement obligations:

The fair value of estimated asset retirement obligations is recognized as a liability on the consolidated balance sheet in the period in which it is incurred based upon discounted values, using Bulldog's credit adjusted risk-free interest rate, of anticipated future expenditures required to pay for such obligations. Such estimates vary from year to year and are accounted for as follows:

(i) Increases resulting from the passage of time are recognized as accretion expense in the consolidated statement of income.

(ii) Revisions resulting from changes to estimates or timing of future expenditures to pay for such obligations are recorded as an increase or decrease to the liability on the consolidated balance sheet.

(iii) Actual expenditures incurred in respect of asset retirements are recorded as a reduction of the liability on the consolidated balance sheet.

When an asset retirement obligation is recorded, an equivalent amount, the asset retirement cost, is capitalized as part of petroleum and natural gas properties. Such costs are amortized on the same basis as other capitalized costs with the expense included in depletion and depreciation expense.

(d) Future income taxes:

Bulldog follows the liability method to account for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year at the substantively enacted rates. Future income tax assets and liabilities are recognized for temporary differences between the income tax and accounting cost bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for income tax purposes that are likely to be realized.

(e) Flow-through shares:

Bulldog has financed a portion of its exploration and development activities through the issuance of flow-through shares. The resource expenditure deductions normally available for income tax purposes from such activities are renounced to the investors in accordance with income tax legislation. Bulldog's recorded amounts for future income taxes and share capital are adjusted by the estimated income tax effect of the deductions when renounced.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(f) Per share amounts:

Basic per share amounts are calculated using the weighted average number of Class A and Class B common shares outstanding during the year. Class B common shares are converted to Class A common shares at $10.00 divided by the higher of $1.00 and the Class A average market price for the period.

Diluted per share amounts are calculated based on the treasury stock method. The weighted average number of common shares is adjusted for the dilutive effect of stock options and warrants. The dilutive effect of stock options and warrants uses the proceeds receivable on exercise to impute the redemption of Class A common shares at the average market price during the period. The weighted average number of common shares outstanding is then adjusted by the net change.

(g) Stock-based compensation:

The exercise price of stock options granted to employees, directors and consultants is determined by the market price of the Class A common shares at the date of grant. The fair value of stock options granted, as determined by the Black-Scholes option pricing model, is expensed in the consolidated statement of income over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

NOTE 3. CHANGES IN ACCOUNTING POLICIES:

The CICA has published several new accounting standards that became effective in 2004 with earlier adoption encouraged. Bulldog has early adopted the following standards effective for the year ended December 31, 2003.

(a) Full cost accounting:

Bulldog has early adopted the CICA Accounting Guideline AcG–16 – "Oil and Gas Accounting – Full Cost" which replaces the previous guideline. The major difference between AcG–16 and the previous guideline is in the calculation of the ceiling test to substantiate the carrying value of petroleum and natural gas properties. The change is from a calculation of recoverable value based on constant prices and costs to one based upon fair value using forecasted prices and costs of oil and natural gas. Should the carrying value of petroleum and natural gas properties exceed the recoverable value, an impairment loss is recognized.

For the year ended December 31, 2003, the application of AcG-16 did not result in an impairment loss; the application of the previous guideline would have produced the same result.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Asset retirement obligations:

Bulldog has early adopted the provisions of CICA Handbook Section 3110 – "Asset Retirement Obligations" on a retroactive basis. As compared to the previous accounting standard, this change resulted in:

(i) A decrease in net income for 2003 of $69,838 (2002 - $51,991).

(ii) An increase in asset retirement obligations at December 31, 2003 of $1,435,625 (2002 - $996,281) recognizing the associated capitalized costs and accretion expense.

(iii) The elimination of the previously booked future site restoration liability at December 31, 2002 of $199,721.

(c) Stock-based compensation:

Bulldog has early adopted the provisions of CICA Handbook Section 3870 – "Stock-based Compensation and Other Stock-based Payments" on a retroactive basis. This change resulted in a decrease in net income and increase to contributed surplus for 2003 of $166,000 (2002 - $70,000).

NOTE 4. BUSINESS COMBINATION:

On October 31, 2002, Bulldog acquired all of the issued and outstanding common shares of Flatland Exploration Ltd. ("Flatland"), a private oil company. The acquisition was accounted for using the purchase method with the results of operations being included from the date of acquisition. As consideration therefore, Bulldog provided the following:

Cash	$ 3,327,707
2,352,941 Class A common shares	1,411,765
Transaction costs	56,038
Total consideration	$ 4,795,510

The Class A common shares issued were valued at $0.60 per share based upon the underwriting agreement completed October 28, 2002. In addition, Bulldog issued 200,000 warrants to the former shareholders of Flatland. Each warrant entitles the holder to purchase one Class A common share at $1.10 per share at any time until November 1, 2004. The value that was assigned to the warrants was nominal. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash	$ 174,960
Working capital, excluding cash	166,185
Petroleum and natural gas properties	6,766,707
Asset retirement obligations	(378,646)
Goodwill	1,266,158
Long-term debt	(1,500,000)
Future income taxes	(1,699,854)
Net assets acquired	$ 4,795,510

NOTE 5.

PETROLEUM AND NATURAL GAS PROPERTIES:

	2003	2002 Restated (note 3)
Petroleum and natural gas properties	**$ 18,690,489**	$ 12,014,880
Production equipment	**3,923,745**	2,259,135
Office furniture and equipment	**90,834**	61,552
	22,705,068	14,335,567
Less accumulated depletion and depreciation	**(4,820,715)**	(2,643,102)
Net book value	**$ 17,884,353**	$ 11,692,465

General and administrative expenses of $293,520 (2002 - $239,954) were capitalized during the year.

Land and seismic costs associated with unproven properties that were excluded from costs subject to depletion and depreciation for 2003 totaled $2,529,000 (2002 - $1,969,000). Future development costs of $1,745,000 (2002 - $1,107,000) were included in the costs subject to depletion and depreciation. Salvage value totaling $689,000 (2002 – nil) reduced the costs of equipment subject to depreciation.

At December 31, 2003, the "ceiling test" calculation was based upon cash flows discounted at a rate of 8% and the following forecast benchmark prices obtained from third parties:

	Oil Prices WTI $US*	Natural Gas Prices AECO $Cdn	Exchange Rate $1US/$1Cdn
2004	$ 34.25	$ 6.65	$ 0.75
2005	$ 29.00	$ 5.55	$ 0.75
2006	$ 27.00	$ 5.20	$ 0.75
2007	$ 25.00	$ 5.00	$ 0.75
2008	$ 25.00	$ 5.00	$ 0.75
Thereafter	2.7%	4.5%	$ 0.75

* *A discount differential of Cdn. $4.70 per barrel was used to reflect Bulldog's realizations.*

During the year ended December 31, 2002 Bulldog recognized a ceiling test impairment loss of $2,000,000, which was recorded as depreciation and depletion expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. BANK INDEBTEDNESS AND LONG-TERM DEBT:

(a) Bank indebtedness:

At December 31, 2003 Bulldog had bank credit facilities consisting of: (a) a $3,500,000 operating line of credit, and (b) a $3,000,000 acquisition line of credit. The interest rate was prime plus 3/4% and prime plus 1% respectively for these lines of credit. As of December 31, 2003, both lines of credit were undrawn.

On February 20, 2004, the operating line of credit was increased to $10,500,000 and the acquisition line remained at $3,000,000. Amounts drawn under both facilities are due on demand. The interest rate was reduced to prime plus 1/2% and prime plus 3/4% respectively for the lines of credit. Security for the lines of credit is provided by a $20,000,000 Supplemental Debenture with a Negative Pledge and Undertaking to provide fixed charges on major producing petroleum properties at the request of the bank.

(b) Long-term debt:

	2003	2002
Long-term debt	**$ 2,125,000**	$ 2,500,000
Current portion of long-term debt	**(1,150,000)**	(375,000)
Balance, end of year	**$ 975,000**	$ 2,125,000

Bulldog has a long-term debt agreement with an investment fund. The credit facility was $2,500,000 of which the term on $1,500,000 is due on November 1, 2005 and the term on $1,000,000 is due on November 1, 2004; the latter amount is subject to a one year extension at the request of Bulldog and the consent of the lender. Monthly principal installments of $41,667 commenced April 1, 2003. Assuming the $1,000,000 portion of the loan is not extended to November 1, 2005, payments of $1,150,000 will be due in 2004 with the balance of $975,000 due in 2005. If the one year extension is requested and granted, $500,000 will be due in 2004 and the balance of $1,625,000 due in 2005. Amounts drawn pursuant to this facility bear interest at 11% per annum. This debt is secured by debentures from Bulldog totaling $6,000,000 subordinated to the lines of credit with the bank.

(c) Interest expense:

Interest on long-term debt in 2003 amounted to $257,709 (2002 - $ 44,747). The balance of interest expense in both years included other interest charges offset by miscellaneous interest income. Actual interest paid during 2003 was $272,974 (2002 - $27,411).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. ASSET RETIREMENT OBLIGATIONS:

Bulldog has estimated the fair value of its future asset retirement obligations with respect to its petroleum and natural gas properties. The following table reconciles Bulldog's asset retirement obligations at the end of each year.

	2003	2002
Balance, beginning of year	$ 996,281	$ –
Accretion expense	91,168	20,928
Liabilities incurred	348,176	975,353
Liabilities settled	–	–
Balance, end of year	$ 1,435,625	$ 996,281

The foregoing fair values are based upon estimated expenditures required to pay for the obligations discounted using a credit adjusted risk-free rate of 8% (2002 – 8%) and an inflation rate of 2% (2002 – 2%) The estimated total undiscounted future expenditures at December 31, 2003 was $1,966,000 (2002 - $1,402,000). Most of these obligations are expected to be incurred by 2012.

NOTE 8. FUTURE INCOME TAXES:

(a) Reconciliation of provision for future income taxes:

The provision for income taxes differs from the result which would have been obtained by applying the combined Federal and Provincial statutory tax rate of 42.1% (2002 – 42.1%) to the income (loss) before income taxes. The difference results from the following items:

	2003	2002 Restated (note 3)
Income (loss) before income taxes	$ 1,159,694	$ (2,237,964)
Expected income tax at 42.1%	$ 488,464	$ (942,631)
Increase (decrease) resulting from:		
Crown payments	426,578	121,457
Resource allowance	(472,294)	(80,364)
Non-deductible stock based compensation	69,919	29,484
Effect of change in future tax rates	(307,000)	–
Future income tax expense (reduction)	$ 205,667	$ (872,054)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Analysis of future income tax liability:

Future income taxes consist of the following temporary differences:

	2003	2002
Future tax liabilities:		
Petroleum and natural gas properties	$ 3,160,251	$ 2,523,671
Future tax assets:		
Share issue costs	(256,075)	(237,599)
Balance, end of year	$ 2,904,176	$ 2,286,072

NOTE 9. **SHARE CAPITAL:**

(a) Authorized:

Unlimited number of Class A and B voting common shares

Unlimited number of preferred shares

The Class B shares are convertible into Class A shares at Bulldog's option at any time from January 1, 2005 to December 31, 2006. The number of Class A shares to be issued upon conversion of each Class B share will be equal to $10 divided by the greater of $1 and the then current market price of Class A shares. If conversion has not occurred by December 31, 2006, the Class B shares become convertible into Class A shares at the option of the shareholder until February 1, 2007, at which time all remaining Class B shares outstanding will be automatically converted into Class A shares.

(b) Issued and outstanding:

	2003		2002	
	Number	Consideration	Number	Consideration
CLASS A COMMON SHARES:				
Balance, beginning of year	11,991,874	$ 4,183,495	6,366,600	$ 850,758
Issued for cash	6,000,000	4,800,000	3,272,333	2,159,500
Issued on exercise of warrants	194,856	146,142	–	–
Issued on business combination *(note 4)*	–	–	2,352,941	1,411,765
Share issue costs	–	(362,154)	–	(234,067)
Income tax effect of share issue costs	–	152,540	–	193,786
Income tax effect of flow-through shares	–	(564,977)	–	(198,247)
Balance, end of year	18,186,730	$ 8,355,046	11,991,874	$ 4,183,495

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2003		2002	
	Number	**Consideration**	Number	Consideration
CLASS B COMMON SHARES:				
Balance, beginning of year	**372,768**	**$ 2,158,327**	372,768	$ 3,612,138
Income tax effect of flow-through shares	**–**	**–**	–	(1,453,811)
Balance, end of year	**372,768**	**$ 2,158,327**	372,768	$ 2,158,327
TOTAL SHARE CAPITAL, END OF YEAR		**$10,513,373**		$ 6,341,822

(c) Reserved for issue:

Bulldog has two classes of securities – stock options and warrants – that are exercisable to purchase Class A common shares.

STOCK OPTIONS

Bulldog has a plan to provide stock options for directors, employees and consultants to purchase Class A common shares. As at December 31, 2003, the maximum number of stock options that Bulldog may grant under the plan is 1,799,000.

The following table reconciles the changes in outstanding stock options for the last two years:

	2003		2002	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding, beginning of year	**1,105,000**	**$ 0.62**	–	$ –
Granted	**380,000**	**1.02**	1,105,000	0.62
Exercised	**–**	**–**	–	–
Forfeited	**(60,000)**	**0.80**	–	–
Outstanding, end of year	**1,425,000**	**$ 0.72**	1,105,000	$ 0.62
Exercisable, end of year	**526,673**	**$ 0.54**	168,333	$ 0.40

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the expiry terms and exercise prices of Bulldog's outstanding stock options as at December 31, 2003:

Actual Exercise Prices	Number of stock options outstanding	Weighted average remaining term (years)	Number of stock options exercisable
$0.40	505,000	3.0	336,670
$0.70	20,000	4.3	–
$0.75	80,000	3.8	26,667
$0.80	415,000	4.0	138,336
$0.85	45,000	3.7	25,000
$1.02	90,000	4.7	–
$1.05	270,000	5.0	–
	1,425,000	3.9	526,673

The stock options exercisable at $0.40 per share, vest as to one-third on granting and one-third on each of the first two anniversary dates. The remaining stock options vest as to one-third on each of the first, second, and third anniversary dates from the date of issue. All unexercised stock options will expire on the fifth anniversary from the date of issue.

WARRANTS

Bulldog has granted certain warrants to purchase Class A common shares in conjunction with the initial public offering of common shares, the Flatland acquisition, and the re-negotiation of the Flatland long-term debt. The following table reconciles the changes in outstanding warrants for the last two years:

	2003		2002	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding, beginning of year	**594,856**	**$ 0.99**	194,856	$ 0.75
Issued	**–**	**–**	400,000	1.10
Exercised	**(194,856)**	**0.75**	–	–
Outstanding, end of year	**400,000**	**$ 1.10**	594,856	$ 0.99

The warrants outstanding at December 31, 2003 are exercisable at any time and will expire on November 1, 2004 if unexercised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As part of the renegotiation of the Flatland long-term debt (Note 6), Bulldog may request and the lender can consent to extend the term of the $1,000,000 portion of the debt due on November 1, 2004. If Bulldog has requested and the lender has consented, Bulldog has agreed to issue an additional 200,000 warrants entitling the lender to purchase one Class A common share at $1.50 per share between November 1, 2004 and November 1, 2005.

(d) Weighted average number of common shares outstanding:

	2003	2002
Basic	**18,729,352**	11,034,179
Diluted	**19,058,800**	11,393,326
Conversion price for Class B common shares	**$ 1.00**	$ 1.05

Stock options and warrants were excluded from the dilution calculation if the exercise prices were greater than the average market price for the year, or if they were anti-dilutive due to a loss being incurred.

(e) Stock-based compensation:

In accordance with the new CICA accounting standard (as more fully described in Note 3 (c)), Bulldog has recorded stock-based compensation expense for all stock options granted since its inception in late 2001. Such compensation expense is calculated based upon the fair value of stock options on the date of the grant using the Black-Scholes option pricing model amortized over the vesting period of the stock options applying the following assumptions:

	2003	2002
Weighted average fair value	**$ 0.66**	$ 0.39
Risk-free interest rate	**4.5%**	4.5%
Years to expiry of stock options	**5.0**	5.0
Expected volatility	**75%**	75%
Dividend yield	**Nil**	Nil

The impact of this standard was the recording of stock based compensation expense for the year ended December 31, 2003 of $166,000 (2002 - $70,000) with a corresponding increase to contributed surplus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. **RELATED PARTY TRANSACTIONS:**

On November 14, 2003 Bulldog completed the purchase of an oil and natural gas property from a private company which is controlled by a director of Bulldog for cash consideration of $1,100,000 and a 2.5% gross overriding royalty on one quarter section of undeveloped land. The property was evaluated by an independent reserve engineering firm to substantiate the purchase price and the transaction was approved by the remaining members of the Board of Directors prior to its completion.

During the year Bulldog incurred $62,081 (2002 - $63,669) of legal fees to a law firm in which one of Bulldog's directors is a partner. At December 31, 2003 accounts payable and accrued liabilities included $6,592 (2002 - $34,721) due to this related party.

NOTE 11. **FINANCIAL INSTRUMENTS:**

(a) Commodity price risk management:

Subsequent to December 31, 2003 Bulldog entered into the following costless collar oil contracts with the purchaser:

Dates	WTI $US Price range	Volume
March 1, 2004 to August 31, 2004	$28.30 - $33.50	100 barrels per day
March 1, 2004 to August 31, 2004	$28.50 - $33.65	100 barrels per day
March 1, 2004 to February 28, 2005	$28.45 - $33.20	100 barrels per day
March 1, 2004 to February 28, 2005	$29.00 - $33.00	100 barrels per day

(b) Credit risk management:

A substantial portion of Bulldog's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks.

(c) Fair value:

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. The fair value of fixed rate long-term debt is determined by discounting the contractual cash flows under the debt facility at discount rates, which represent interest rates presently available to Bulldog for a debt facility with a similar term and maturity. Based on this, the fair value of long-term debt as at December 31, 2003 was not significantly different from its carrying value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS:

Bulldog has lease commitments for a compressor and office space which will require payments of $138,000 in 2004 and $12,000 in 2005.

NOTE 13. SUBSEQUENT EVENTS:

On February 20, 2004, Bulldog acquired all the issued and outstanding shares of two private companies and eight associated properties for cash consideration of $19,345,000. At the same time, Bulldog issued on a private placement basis 12,200,000 Class A common shares for gross proceeds of $14,030,000 and increased its operating line of credit with its bank to $10,500,000. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition:

Working capital deficiency	$ (265,000)
Petroleum and natural gas properties	21,999,000
Asset retirement obligations	(795,000)
Goodwill	2,105,000
Future income taxes	(3,699,000)
Net assets acquired	$ 19,345,000

The above amounts are estimates, which were made by management, based on information available at the time. Amendments may be made to these amounts as values are subject to final closing adjustments in June 2004.

SHAREHOLDER INFORMATION

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Calgary, AB, T2P 3P8
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Facsimile (403) 264-7470
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BOARD OF DIRECTORS

E. Craig Lothian, LLb. (1) (2)
Chairman of the Board
Regina, Saskatchewan

Claudio A. Ghersinich, P. Eng. (1) (2)
Calgary, Alberta

S. Bruce McKay, C.E.T.
Calgary, Alberta

Kenneth D. McKay, P. Geol.
Calgary, Alberta

James M. Pasieka, LLb. (2) (3)
Calgary, Alberta

John A. Thomson, C.A. (1) (3)
Calgary, Alberta

(1) Members of the Audit Committee
(2) Members of the Reserve Committee
(3) Members of the Governance & Compensation Committee

OFFICERS

Kenneth D. McKay, P. Geol.
President
& Chief Executive Officer

S. Bruce McKay, C.E.T.
Vice President Production
& Chief Operating Officer

Michael H. Flanagan, P. Land
Vice President Land

Ailsa Brereton, C.A.
Controller
& Chief Financial Officer

STOCK EXCHANGE

The TSX Exchange
Symbols: **BDE.A & BDE.B**

TRANSFER AGENT

CIBC Mellon Trust Company
Telephone (403) 232-2400

BANKERS

National Bank
Calgary, Alberta

AUDITORS

KPMG LLP
Chartered Accountants
Calgary, Alberta

EVALUATION ENGINEERS

Gilbert Laustsen
Jung Associated Ltd.
Petroleum Consultants
Calgary, Alberta

SOLICITORS

Heenan Blaikie LLP
Barristers & Solicitors
Calgary, Alberta

McCarthy Tétrault LLP
Barristers & Solicitors
Calgary, Alberta

ANNUAL MEETING

Shareholders are cordially invited to attend the Company's Annual General Meeting which will be held at 10:30 AM on Wednesday, June 9, 2004 in the Cardium Room of the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta. Shareholders are requested to complete and return the Proxy Form to CIBC Mellon Trust Company of Canada at their earliest convenience if unable to attend the meeting.

BULLDOG ENERGY INC.

2003 ANNUAL REPORT

Calgary, Alberta
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